2011-06224 Northern Pipeline Agency Canada: Report on plans and priorities (2011-2012)

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Northern Pipeline Agency Canada

2011-2012

Report on Plans and Priorities

The Honourable Joe Oliver, P.C., M.P.
Minister of Natural Resources

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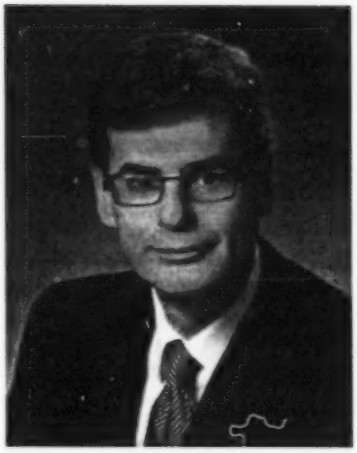
Commissioner's Message



It is my pleasure to present the *2011-2012 Report on Plans and Priorities* for the Northern Pipeline Agency (the Agency).

The Agency was established by the *Northern Pipeline Act* (the Act) in 1978 to facilitate the planning and construction by Foothills Pipe Lines Limited (Foothills) of the Canadian portion of the Alaska Highway Gas Pipeline Project and to maximize social and economic benefits from its construction and operation while minimizing any adverse effects. The pipeline, also referred to as the Alaska Natural Gas Transportation System (ANGTS), was certificated in 1978 under the Act to transport Alaskan and possibly northern Canadian natural gas to southern markets in Canada and the United States (U.S.).

The southern portion of the pipeline was constructed in the early 1980s and presently transports Canadian gas sourced from south of the 60th parallel. Unfavourable economic conditions led to delays in the completion of the northern portion of the pipeline. In 2008, TransCanada PipeLines Ltd. (TCPL), which now owns Foothills, was granted a license by the State of Alaska to pursue the development of Stage Two (the northern section) of the pipeline and partnered with ExxonMobil in 2009 to form the Alaska Pipeline Project (APP). The APP is continuing to develop the technical and commercial aspects of the Project. Accordingly, the Agency has been taking measures to implement the provisions of the *Northern Pipeline Act* and the *Canada-U.S. Agreement on Principles Applicable to a Northern Natural Gas Pipeline* (the Agreement).

During the period of this report, the Agency will continue to work together with other federal agencies, provincial and territorial governments, Aboriginal organizations and the public to meet the objectives of the Act.

Serge P. Dupont
Commissioner

Section I: Departmental Overview

Raison d'être and Responsibilities

The Northern Pipeline Agency was created by the *Northern Pipeline Act* (the Act) in 1978 to carry out Canada's responsibilities in respect of the planning and construction by Foothills of the Canadian portion of ANGTS. Also referred to as the Alaska Highway Gas Pipeline Project (AHGPP), the project is the subject of the 1977 *Agreement between Canada and the United States of America on Principles Applicable to a Northern Natural Gas Pipeline* (the Agreement).

The first stage of the Project (the Prebuild) was constructed in the early 1980s for the initial purpose of transporting gas sourced from Western Canada to the U.S. The current flow capacity of the Prebuild is approximately 3.3 billion cubic feet (bcf) per day.

Unfavourable economic conditions from the mid-1980s to the beginning of the last decade led to indefinite delays in the completion of the ANGTS and a prolonged period of low activity for the Agency. In 2008, TransCanada Alaska PipeLines was selected by the State of Alaska under the *Alaska Gasline Inducement Act* to receive up to $500 million (M) in State assistance to pursue an Alaska gas pipeline. The large-scale project would transport 4-5 bcf per day of natural gas in a buried 48-inch, high-pressure pipeline from Prudhoe Bay to markets in Canada and the lower 48 states. Project costs have been estimated at $32-41 billion (B) by TransCanada PipeLines Limited (TransCanada).

Stage Two of the Project in Canada would comprise approximately 1,555 km of pipeline from the Yukon-Alaska border near Beaver Creek to the B.C.-Alberta border near Boundary Lake, as defined by the certificates of public convenience and necessity (CPCNs) granted under the Act. Additional pipeline construction in Alberta (Stage Three) may also be required.

TransCanada has communicated its intention to proceed with planning for Stage Two of the Project to the Agency, along with a Project timeline. In 2010, with the approval of the U.S. Federal Energy Regulatory Committee (FERC), TransCanada sought bids from shippers to determine the level of commercial interest in the Project. TransCanada also undertook a number of field studies in 2009-2010 and is conducting further studies in 2011. Accordingly, the Agency is carrying out its responsibilities under the Act by working with federal agencies, provincial and territorial governments, First Nations, the public, the United States, and TransCanada. It has increased its capacity to carry out the required work.

Under the Act, the Agency can be called upon to undertake a number of activities:

- Facilitate the efficient and expeditious planning and construction of the pipeline, taking into account local and regional interests, the interests of the residents, particularly of the native people, and recognizing the responsibilities of the Government of Canada and other governments, as appropriate, to ensure that any native claim related to the land on which the pipeline is to be situated is dealt with in a just and equitable manner;
- Facilitate, in relation to the pipeline, consultation and coordination with the governments of the provinces, the Yukon Territory, and the Northwest Territories;
- Maximize the social and economic benefits from the construction and operation of the pipeline while at the same time minimizing any adverse effect on the social and environmental conditions of the areas most directly affected by the pipeline; and
- Advance national economic and energy interests and maximize related industrial benefits.

Strategic Outcome(s) and Program Activity Architecture (PAA)

The Agency has a single strategic outcome and a single program activity. Both are aligned with the Government of Canada's Strong Economic Growth outcome as per the Whole-of-Government Framework.

Agency Strategic Outcome

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Agency Program Activity

Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Strategic Outcome: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program Activity: Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.

Planning Summary

Financial Resources ($000s)

2011–12	2012–13	2013–14
1,328.1	1,328.1	1,328.1

Human Resources (Full-time Equivalent – FTE)

2011–12	2012–13	2013–14
5	6	6

Strategic Outcome :: The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	
Performance Indicators	**Targets**
The Agency effectively plans for and responds to regulatory filings by Foothills and makes certain that the Act is properly administered.	Timely responses with consideration to the overall Project plans and schedules, continuing operations as mandated, and readiness to respond to increasing levels of project activity.
The Agency continues to address regulatory certainty by determining an environmental assessment and regulatory review framework within a timeline that corresponds with industry decisions on the project.	A regulatory framework that accommodates modern environmental practices and keeps pace with Project timelines.
The Agency refines its plans and state of readiness to respond and to enhance its engagement with other participants that would be involved in the planning and construction of this phase of pipeline development.	Development and implementation of a future-oriented business plan that takes into consideration associated resource requirements.
The Agency increases public awareness of its work, its status and its operations with regard to the Project.	Plans and tools that support enhanced communication and outreach.
The Agency effectively plans for and carries out Crown consultation with Aboriginal people.	Responsibilities related to Aboriginal consultations are met.

Program Activity	Forecast Spending 2010–11	Planned Spending			Alignment to Government of Canada Outcomes
		2011–12	2012–13	2013–14	
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.	1,231.2	1,238.1	1,238.1	1,238.1	These activities are aligned to the Strong Economic Growth outcome.
Total Planned Spending		1,238.1	1,238.1	1,238.1	

Internal Services	Forecast Spending 2010–11	Planned Spending		
		2011–12	2012–13	2013–14
Administrative support	90	270		

Total planned spending does not include the planned spending for internal services.

Contribution of Priorities to Strategic Outcome

The following chart outlines the operational priorities of the Agency for the reporting period and the ways in which they contribute to the overall strategic outcome.

Operational Priorities	Type	Links to Strategic Outcome	Description
To effectively administer the Act and establish the framework to respond to the reactivation of the pipeline project.	ongoing	The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	**Why:** To meet obligations under the Agreement and implement the Act **Plan**: The Agency will work with the federal, provincial and territorial governments, the U.S., First Nations, and TransCanada.
To develop a modern environmental and regulatory review framework	ongoing		**Why:** To ensure that the pipeline is planned and built according to modern environmental and regulatory standards **Plan**: The Agency will develop an approach for a modern review of updated environmental and socio-economic information as well as regulatory filings.
To develop an outreach plan taking into account	ongoing		**Why**: To increase

the interests of all stakeholders with emphasis on communities along the pipeline route.			awareness of the Agency and its operational status in relation to the Project **Plan**: The Agency will carry out communications activities attuned to Project timelines and milestones.
To develop Aboriginal consultation plans related to the planning and construction of the Project	ongoing		**Why:** To meet obligations in regards to Aboriginal consultation **Plan:** The Agency will engage, consult with and, where necessary, accommodate in relation to the pipeline.

Management Priorities	Type	Links to Strategic Outcome(s)	Description
To ensure the NPA has sufficient resources to carry out its responsibilities, including those related to its regulatory responsibilities and intergovernmental and Aboriginal relations.	ongoing	The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.	**Why:** To meet obligations related to the Project and to all parties **Plan:** Conduct forward business planning to assess future resource requirements.

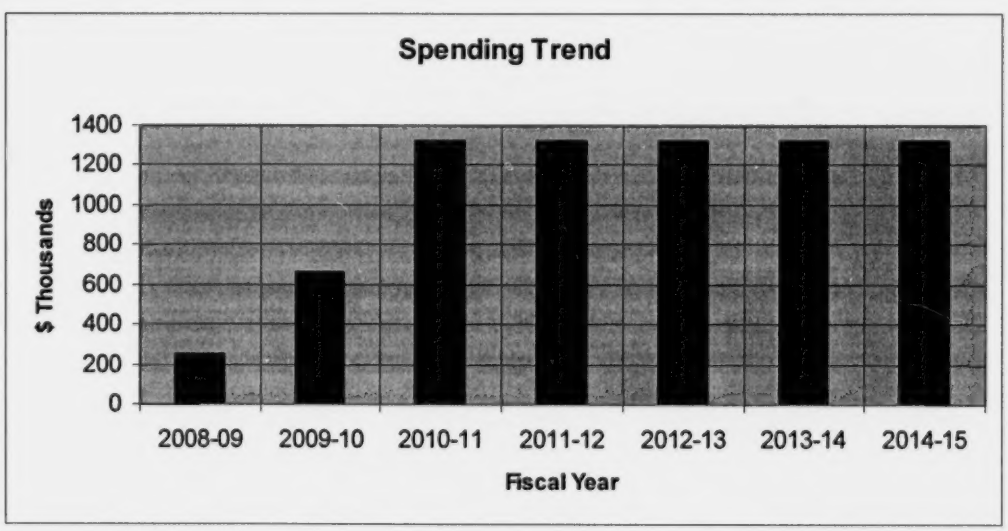
Risk Analysis

The Agency is faced with uncertainties associated with planning for a single large-scale international pipeline project. The Agency identifies and responds to these uncertainties by continuous corporate-level forecasting, tracking, and management of issues that could affect or require a response from the Agency. For fiscal year 2011-2012, the Agency will continue to ramp up activities and human resource levels in anticipation of Stage Two of the Project in Canada. The Agency will proceed in a compressed time frame and will work to minimize uncertainties posed by environmental and socio-economic considerations that have transpired since the Act came into force. Failure to make timely preparations could jeopardize the Government of Canada's performance of its responsibilities under the Agreement and the Act.

Expenditure Profile

The graph below illustrates the general spending trend since the 2008-09 fiscal year and the forecast spending for 2011-12 and beyond. The increase from 2008 to 2010 depicted in the graph is attributable to the increase in Agency activities as required by the revival of Stage Two of the Alaska Pipeline Project in Canada. The increase from 2010-11 to 2011-12 and following years is related to a EBP adjustment of $6,950.

Changes in the project proponent's plans and activities could lead to material differences between planned and actual spending in future.



Estimates by Vote

For information on our organizational votes and/or statutory expenditures, please see the 2011-12 Main Estimates publication. An electronic version of the Main Estimates is available at

http://www.tbs-sct.gc.ca/est-pre/20112012/me-bpd/toc-tdm-eng.asp.

Section II: Analysis of Program Activities by Strategic Outcome

Strategic Outcome

The Agency has a single strategic outcome and a single program activity. Both are aligned with the Government of Canada's Strong Economic Growth outcome as per the Whole-of-Government Framework.

Strategic Outcome:

The planning and construction of the Canadian portion of the Alaska Highway Gas Pipeline Project is efficient and expeditious while ensuring environmental protection and social and economic benefits for Canadians.

Program Activity by Strategic Outcome

The following summary of the Agency's program activity demonstrates how it contributes to the Agency's strategic outcome and, by association, the Government of Canada's Strong Economic Growth outcome. Total planned spending does not include planned spending for internal services.

Program Activity : Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline Project.					
Human Resources (FTEs) **and Planned Spending** ($000s)					
2011–12		**2012–13**		**2013–14**	
FTEs	**Planned Spending**	**FTEs**	**Planned Spending**	**FTEs**	**Planned Spending**
5	1,238.1	6	1,238.1	6	1,238.1

Program Activity Expected Results	**Performance Indicators**	**Targets**
Oversee and regulate the planning and construction of the Canadian portion of the Alaska Highway Natural Gas Pipeline. In concert with other federal government departments, the Agency will have a regulatory framework which accommodates modern environmental practices, takes into account the	The Agency will effectively plan for and respond to regulatory filings and make certain that the Act is properly administered.	Timely responses with consideration to the overall project schedule and readiness to respond to increasing levels of project activity.
	The Agency will continue to address regulatory certainty by establishing a framework within a timeframe that corresponds with industry	A regulatory framework that accommodates modern environmental practices and the interests of territorial and provincial governments,

rights of Aboriginal people, and considers the interests of provincial-territorial governments, so as to remain prepared to effectively regulate and facilitate the planning and construction of the Foothills pipeline.	decisions on the project.	First Nations, and other residents along the pipeline route.
	To maintain an adequate level of staff to allow the Agency to refine its plans and state of readiness to respond and to enhance its engagements with other participants that would be involved in the planning and construction of this phase of the pipeline.	Adequate resources and capacity.

Planning Highlights

The Agency will continue to prepare for Stage Two of the Project in Canada. Since the Act came into force, the external environment relevant to environmental and public considerations has changed. Some of the changes include new environmental legislation, and in the Yukon, devolution of some federal responsibilities and the settlement of most Aboriginal land claims along the pipeline route.

The Agency will develop regulatory processes which fully meet modern environmental and socio-economic standards and respect the rights of Aboriginal peoples. These processes will take into account the rights granted to Foothills under the Act, including the certificates and the Yukon easement. To carry out these responsibilities, the Agency will continue to work closely with relevant federal departments and agencies. It will also coordinate with other governments, Aboriginal communities, the U.S. and TransCanada. Finally, the Agency will assess the adequacy of its technical, legal, administrative, and policy capacity that will help the Agency to carry out planning and regulatory work as project activity increases.

Benefits for Canadians

The planning and construction (estimated at $32-41B 2009 USD) of Stage Two of the Project will support job creation and economic growth throughout Canada. Completing the project will result in approximately $15B capital investment in pipeline infrastructure in Canada. It will enhance North American natural gas supply, make available increased petro-chemical feedstocks, increase the utilization of existing Canadian pipeline infrastructure and facilitate the development of new northern Canadian natural gas supplies.

Program Activity: Internal Services					
Human Resources (FTEs) and Planned Spending ($000s)					
2011–12		2012–13		2013–14	
FTEs	Planned Spending	FTEs	Planned Spending	FTEs	Planned Spending
1	90	1	90	1	90

Section III: Supplementary Information

Financial Highlights

The future-oriented financial highlights, prepared on an accrual basis, presented within this Report on Plans and Priorities are intended to serve as a general overview of the Northern Pipeline Agency's operations. These financial highlights are prepared on an accrual basis to strengthen accountability and improve transparency and financial management.

The Future-oriented Statement of Operations can be found on NRCan's web site at http://www.nrcan-rncan.gc.ca/com/resoress/pubpub-eng.php.

Future-oriented Condensed Statement of Operations

For the Year (Ended March 31)
($ millions)

	% change	Future-oriented 2011–12	Future-oriented 2010–11
Expenses			
Total Expenses	N/A	$1,445,841	N/A
Revenues			
Total Revenues	N/A	$1,387,285	N/A
Net Cost of Operations	N/A	$58, 556	N/A

The Agency has different net results of operations for the year on a government funding basis (cash) as reported in this Report on Plans and Priorities than on an accrual accounting basis as reported in the Future-oriented Statement of Operations.

Section IV: Other Items of Interest

Organizational Information

The Agency has been designated as a department for the purposes of the *Financial Administration Act*. The Agency currently reports to Parliament through the Minister of Natural Resources Canada, who is responsible for the management and direction of the Agency. The Agency has one senior officer, a Commissioner appointed by the Governor in Council. The Commissioner is currently the Deputy Minister of Natural Resources Canada. The Agency's organizational structure is defined by the Act. The Commissioner is supported by an Assistant Commissioner.

Legislation Administered by the Agency

The Minister has sole responsibility to Parliament for the following Act:

Northern Pipeline Act (R.S.C., 1977-78, c.20, s.1)

The Minister shares responsibilities to Parliament for the following regulations:

National Energy Board Cost Recovery Regulations (SOR/91-7, Canada Gazette Part II, p. 15)